



# Memorandum

**To:** Clients

**From:** [Kakkar CPA Professional Corporation](#)

**Date:** March 19, 2020

**Re:** Canada and Quebec COVID-19 response plan

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The Governments of Canada and Quebec announced a series of tax measures to help support those affected by the COVID-19 virus, some of which affect tax filing and payment deadlines. The memorandum lists important changes and information in respect of the tax measures.

## Federal and Quebec tax filings and payment deadlines:

Individuals (other than trusts)	<p>The deadline to file your federal and Quebec 2019 personal income tax returns has been deferred until June 1, 2020.</p> <p>The CRA will allow all taxpayers to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. This relief would apply to tax balances due, as well as instalments, under <b>Part I</b> of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period. The CRA encourages individuals who expect to receive benefits under the GSTC or the Canada Child Benefit not to delay the filing of their return to ensure their entitlements for the 2020-21 benefit year are properly determined.</p> <p>The Revenu Quebec has also extended the deadline to pay an income tax balance for 2019 to August 31, 2020. Those required to pay tax instalments to Revenu Quebec, the June 15, 2020 payment has been suspended until at least July 31, 2020. The payment date and terms will be announced later. For those who receive amounts from social programs such as the solidarity tax credit and the family allowance, Revenu Quebec will ensure that the payments are made as planned on July 1, despite the postponement of the income tax return filing deadline.</p>
Self-employed and their spouse	For self-employed individuals or those who have spouses or common-law partners that are self-employed, the deadline to pay any balance due for your federal and Quebec individual income tax and benefit return has been deferred to August 31,

or common law partner	2020, however your income tax and benefit returns still needs to be filed by June 15, 2020.
Trusts	<p>For trusts with a taxation year end of December 31, 2019, the filing due date of March 31, 2020, will be deferred to May 1, 2020 for federal and Quebec tax purposes.</p> <p>For federal purposes, all trusts that have an upcoming income tax balance due date or an income tax instalment payment due date before August 31, 2020, will have their payment due date effectively extended to August 31, 2020. Penalty and interest implications for upcoming trust tax obligations not covered by the relief described above will be considered by the CRA on a case-by-case basis.</p> <p>For Revenu Quebec tax purposes, the deadline to pay balance of tax for 2019 has been extended to at least August 31, 2020. The payment of instalments and income tax that are due from March 18, 2020, has been suspended until at least August 31, 2020. The payment date and terms will be announced later.</p> <p>For Quebec tax purposes, the relief above does not apply to specified investment flow-through trusts (SIFTs).</p>
Businesses	<p>While the Federal and Quebec governments have provided tax filing extensions to individuals and trusts mentioned above, no such tax filing extensions have been granted to businesses (such as corporations). Consequently, corporations with a December 31, 2019 year-end will need to file their corporate income return within 6 months from the year-end (being June 30, 2020 in this case). Corporations with September, October, and November 2019 year-ends must file their corporate income tax return by March, April and May 2020, respectively.</p> <p>Nonetheless, the CRA will allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 2020. This relief would apply to tax balances due, as well as instalments, under <b>Part I</b> of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period. For Revenu Quebec tax purposes, the deadline to pay balance of tax for 2019 has been extended to July 31, 2020. The payment of instalments and income tax that are due from March 18, 2020, has been suspended until at least August 31, 2020. The payment date and terms will be announced later.</p>
Partnerships	<p>Partnerships that had to file a <i>Partnership Information Return</i> (form TP-600-V) for 2019 by March 31, 2020, now have until May 1, 2020, to file the return.</p> <p>No announcements have been made regarding whether the deadline to file the federal Partnership Income Tax Return (T5013) has been extended to date.</p>



## **New tax measures:**

1. Electronic signatures – Effective immediately, the CRA and Revenu Quebec will recognize electronic signatures in order to reduce the necessity for taxpayers (individuals and businesses) and tax preparers to meet in person during this difficult time.
2. Federal Payroll subsidy – To support businesses that are facing revenue losses and to help prevent lay-offs, the government is proposing to provide eligible small employers a temporary wage subsidy for a period of three months. The subsidy will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer.

Businesses will be able to benefit immediately from this support by reducing their remittances of income tax withheld on their employees' remuneration. Employers benefiting from this measure will include corporations eligible for the small business deduction, as well as non-profit organizations and charities.

It is unclear whether this subsidy is available to trusts and partnerships carrying on a business.

3. Federal and Quebec audits suspended – The CRA will not contact any small or medium (SME) businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks. For most businesses, the CRA will temporarily suspend audit interaction with taxpayers and representatives.

Revenu Quebec has also announced that all tax audit and collection activities are being suspended, it will show greater flexibility in respect of payment agreements for tax debts.

4. Federal Emergency Care Benefit – workers, including the self-employed, who are quarantined or sick with COVID-19 but do not qualify for EI sickness benefit can receive up to \$900 bi-weekly, for up to 15 weeks. This benefit is also available to those who are taking care of a family member who is sick with COVID-19, such as an elderly parent, but do not qualify for EI sickness benefits and parents with children who require care or supervision due to school closures, and are unable to earn employment income, irrespective of whether they qualify for EI or not. Application for the Benefit will be available in April 2020 and require Canadians to attest that they meet the eligibility requirements. They will need to re-attest every two weeks to reconfirm their eligibility.

Many of the measures listed above have only been announced recently (March 18, 2020) and are noted as requiring Royal Assent. In recent public comments, it was indicated that the opposition parties have promised their support to move these measures quickly, therefore, we can presumably expect draft legislation in the short term. Over the next days, the specifics on these programs will be released.

## **Tax Filings with no guidance:**



1. Sales tax – Filing deadlines for sales tax return filings and remittances (GST/HST & QST) have not been extended.
2. Information returns and tax elections – Many taxpayers are required to file other tax and information returns. No mention was made by the governments. Examples of common filings are as follows:
  - a. T1135 – Foreign Income Verification Statement
  - b. T1134 – Information Return Relating to Controlled and Not-Controlled Foreign Affiliates
  - c. T106 – Information Return of Non-Arm’s Length Transactions with Non-Residents
  - d. T2057 and TP-518 – Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation
  - e. NR4 – Statement of Amounts Paid or Credited to Non-Residents of Canada

Late filings carry significant late filing penalty.

3. Partnership returns – Depending on the composition of the partners, the returns are either due on March 31<sup>st</sup> or May 31<sup>st</sup>. Revenu Quebec has extended the provincial partnership return due date from March 31<sup>st</sup> to May 1, 2020. No announcement has been made by the CRA in respect of federal partnership return yet.
4. Tax payment deferral – The tax payment deferral discussed above does not apply to payroll tax remittances (CPP, EI, payroll withholding tax) and other non-Part I taxes that are due at different time periods. Common examples of non-Part I taxes include:
  - a. Part XIII withholding tax for payments (interest, dividends, management fees, etc.) made to non-residents of Canada. The remittance is due on 15<sup>th</sup> of the following month in which payment is made to the non-resident.
  - b. Part IV taxes applicable to Canadian Controlled Private Corporations (CCPCs) on investment income earned will need to be paid by the regular balance due date, being March 31<sup>st</sup> with a calendar year-end.

More details about the specific measures taken by each government can be found at:

<https://www.canada.ca/en/department-finance/economic-response-plan.html#business>

<https://www.revenuquebec.ca/en/press-room/press-releases/details/167313/2020-03-17/>

